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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden	hours per response.....12.00

DIVISION OF MARKET REGULATION

SEC FILE NUMBER
8-44204

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 07/01/07 AND ENDING 06/30/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **First Bermuda Securities (BVI) Ltd.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Maxwell R. Roberts Building, 1 Church Street  
(No. and Street)

Hamilton

(City)

Bermuda

(State)

HM 11

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG

(Name - if individual, state last, first, middle name)

4 Par-la-Ville Road

(Address)

Hamilton

(City)

Bermuda

(State)

HM 08

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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**FOR OFFICIAL USE ONLY**

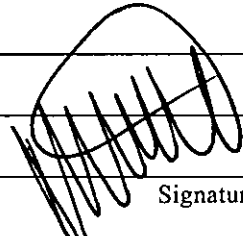
THOMSON REUTERS

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

10/29/08

## OATH OR AFFIRMATION

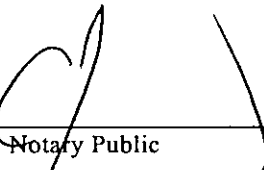
I, Michael Raymond Schroter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Bermuda Securities (BVI) Ltd., as of June 30th, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

Secretary

Signed Before Me  
This 27 day of August, 2008

Title

  
Notary Public

CARLA B. LAMBERT  
Notary Public  
Hamilton, Bermuda



This report \*\* contains (check all applicable boxes)

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**KPMG**

Crown House  
4 Par-la-Ville Road  
Hamilton HM 08, Bermuda  
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P.O. Box HM 906  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL**

The Board of Directors  
First Bermuda Securities (BVI) Ltd.

In planning and performing our audit of the financial statements of First Bermuda Securities (BVI) Ltd. (the "Company"), for the year ended June 30, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and of the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "KPMG", written in a stylized, cursive-like font.

Chartered Accountants  
Hamilton, Bermuda  
August 21, 2008

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**FIRST BERMUDA SECURITIES (BVI) LTD.**

**Financial Statements**

(With Independent Auditors' Report Thereon)

Years Ended June 30, 2008 and 2007



**KPMG**  
Crown House  
4 Par-la-Ville Road  
Hamilton HM 08, Bermuda  
Mailing Address:  
P.O. Box HM 906  
Hamilton HM DX, Bermuda

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder of  
First Bermuda Securities (BVI) Ltd.

We have audited the accompanying statements of financial condition of First Bermuda Securities (BVI) Ltd. as of June 30, 2008 and 2007 and the related statements of income, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

The statements of changes in liabilities subordinated to claims of general creditors have not been presented, as there were no such liabilities during the years ended June 30, 2008 and 2007.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Bermuda Securities (BVI) Ltd. as of June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Chartered Accountants  
Hamilton, Bermuda  
August 21, 2008

**FIRST BERMUDA SECURITIES (BVI) LTD.**

## Statements of Financial Condition

June 30, 2008 and 2007

*(Expressed in Bermuda Dollars)*

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 58,433	\$ 58,712
Brokerage commissions receivable	31,000	82,000
Due from parent company, net (Note 3)	629,897	410,793
Prepaid Expenses	<u>300</u>	<u>—</u>
Total assets	<u>\$ 719,630</u>	<u>\$ 551,505</u>
<b>Stockholder's equity</b>		
Capital stock		
Authorized, issued and fully paid		
50,000 shares of \$1 par value each	50,000	50,000
Retained earnings	<u>669,630</u>	<u>501,505</u>
Total stockholder's equity	<u>719,630</u>	<u>551,505</u>
Total liabilities and stockholder's equity	<u>\$ 719,630</u>	<u>\$ 551,505</u>

*See accompanying notes to financial statements*

Signed on behalf of the Board

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

**FIRST BERMUDA SECURITIES (BVI) LTD.**

## Statements of Income

Years Ended June 30, 2008 and 2007

*(Expressed in Bermuda Dollars)*

	<u>2008</u>	<u>2007</u>
<b>Income</b>		
Brokerage commissions	\$ 1,062,798	\$ 628,313
Interest income	<u>2,121</u>	<u>2,604</u>
Total income	<u>1,064,919</u>	<u>630,917</u>
<b>Expenses (Note 5)</b>		
Commission expenses (Note 4)	469,030	255,091
Clearing and brokerage charges	159,250	88,218
Telecommunications expense	9,579	4,827
Secretary and filing fees	3,919	4,805
Insurance expense	3,024	3,595
Bank charges	1,240	1,042
Other General Expenses	<u>2,752</u>	<u>—</u>
Total expenses	<u>648,794</u>	<u>357,578</u>
Net income for the year	<u>\$ 416,125</u>	<u>\$ 273,339</u>

*See accompanying notes to financial statements*



**FIRST BERMUDA SECURITIES (BVI) LTD.**

## Statements of Changes in Stockholder's Equity

Years Ended June 30, 2008 and 2007  
(Expressed in Bermuda Dollars)

	<u>2008</u>	<u>2007</u>
<b>Capital stock</b>		
Capital stock at beginning and end of year	\$ 50,000	\$ 50,000
<b>Retained earnings</b>		
Retained earnings at beginning of year	501,505	476,166
Net income for the year	416,125	273,339
Dividends	<u>(248,000)</u>	<u>(248,000)</u>
Retained earnings at end of year	<u>669,630</u>	<u>501,505</u>
<b>Total stockholder's equity</b>	<u>\$ 719,630</u>	<u>\$ 551,505</u>

See accompanying notes to financial statements

**FIRST BERMUDA SECURITIES (BVI) LTD.**

## Statements of Cash Flows

Years ended June 30, 2008 and 2007

*(Expressed in Bermuda Dollars)*

	<u>2008</u>	<u>2007</u>
<b>Cash flow from operating activities</b>		
Net income	\$ 416,125	\$ 273,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in brokerage commissions receivable	51,000	(20,000)
Change in amount due from parent company	(219,105)	(4,844)
Change in accounts payable and accrued expenses	<u>(299)</u>	<u>(200)</u>
Cash provided by operating activities	<u>247,721</u>	<u>248,295</u>
<b>Cash flow from financing activities</b>		
Dividends	<u>(248,000)</u>	<u>(248,000)</u>
Cash used in financing activities	<u>(248,000)</u>	<u>(248,000)</u>
Net (decrease) increase in cash and cash equivalents	(279)	295
Cash and cash equivalents at beginning of year	<u>58,712</u>	<u>58,417</u>
Cash and cash equivalents at end of year	<u>\$ 58,433</u>	<u>\$ 58,712</u>

*See accompanying notes to financial statements*

## FIRST BERMUDA SECURITIES (BVI) LTD.

### Notes to Financial Statements

June 30, 2008 and 2007

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#### 1. General

First Bermuda Securities (BVI) Ltd. (the "Company") was incorporated on November 2, 1992 under the laws of the British Virgin Islands and carries on business as a broker/dealer and is a registered member of the National Association of Securities Dealers, Inc. ("NASD"). The Company is a wholly-owned subsidiary of First Bermuda Group Ltd. ("FBG"), a company incorporated in Bermuda.

#### 2. Significant accounting policies

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The following are the significant accounting policies adopted by the Company:

a) *Brokerage commissions*

Brokerage commissions are accounted for on a trade-date basis and are accrued to the balance sheet date.

b) *Interest income*

Interest income is accrued to the balance sheet date.

c) *Commission expenses*

Commission expenses are accrued to the balance sheet date.

d) *Cash and cash equivalents*

Cash and cash equivalents are short-term, highly liquid investments with maturities of less than three months from the date of acquisition. Money market fund investments are included in cash equivalents and are valued at the net asset value as reported by the funds' administrators. Any appreciation in value is recorded as interest income in the statements of income.

e) *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 3. Due from parent company

Amounts due from the parent company are presented net, they are interest free, unsecured and have no fixed terms of repayment.

## **FIRST BERMUDA SECURITIES (BVI) LTD.**

### Notes to Financial Statements

June 30, 2008 and 2007

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**4. Commission expenses**

Commission expenses primarily represent the reimbursement of commissions paid by FBG to its employees for services provided to the Company. These expenses are computed as 50% of brokerage commission earned, after clearing and brokerage charges.

**5. Related party transactions**

General and administrative expenses amounting to \$85,283 (2007 - \$87,018) have been borne by FBG on behalf of the Company and are not included in the statements of income.

**6. Net capital requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, not exceed 15 to 1. At June 30, 2008 the Company had net capital of \$79,733 (2007 - \$130,712), which was \$74,733 (2007 - \$125,712) in excess of its required net capital of \$5,000.

**7. Taxation**

The Company is considered a non-resident corporation for British Virgin Islands corporation taxation purposes and is therefore not subject to tax.

It is management's belief that the Company is not engaged in a United States trade or business, as determined under United States Federal tax laws, and will not be subject to United States income taxes in respect of the profits and losses of the Company. As a result, management has made no provision for income taxes in the financial statements.

## Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Net capital</b>		
Total stockholder's equity	\$ <u>719,630</u>	\$ <u>551,505</u>
Total stockholder's equity qualified for net capital	719,630	551,505
Other deductions (excess fidelity bond)	<u>(10,000)</u>	<u>(10,000)</u>
Total capital and allowable subordinated liabilities	709,630	541,505
Deductions and/or charges		
Non-allowable assets:		
Amount due from parent company	<u>(629,897)</u>	<u>(410,793)</u>
Total deductions and/or charges	<u>79,733</u>	<u>130,712</u>
Net capital before haircuts on securities positions	<u>79,733</u>	<u>130,712</u>
Net capital	\$ <u><u>79,733</u></u>	\$ <u><u>130,712</u></u>
<b>Computation of basic net capital requirement</b>		
Minimum net capital required	\$ <u><u>5,000</u></u>	\$ <u><u>5,000</u></u>
Excess net capital	\$ <u><u>74,733</u></u>	\$ <u><u>125,712</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0:1.000</u></u>	<u><u>0:1.000</u></u>

*END*